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Message Text

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70
ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-04 PRS-01 USIA-15 SCI-06 FEA-02 DRC-01 /168 W
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P 212202Z MAY 74
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 3513

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E.O. 11652: N/A
TAGS: EIND, ETRD, CA
SUBJECT: CANADIAN FERROUS SCRAP REQUIREMENTS DURING LAST
SIX MONTHS OF 1974.

REF: STATE 095278

1. IN MAY 14 AND 21 CALLS ON WILLIAM BLACK, CHIEF, IRON AND STEEL DIVISION, DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE (ITC), EMBOFF ELICITED FOLLOWING INFORMATION RESPONSIVE TO QUESTIONS REAISED REFTEL.

2. CANADIAN STEEL PRODUCTION IN THIRD QUARTER OF 1974 ESTIMATED AT 3,400,000 TONS; FOURTH QUARTER, 3,500,000 TONS.

3. CANADIAN SCRAP IMPORT REQUIREMENTS FROM USA IN THIRD QUARTER OF 1974 ESTIMATED AT 395,000 TONS; FOURTH QUARTER, 393,000 TONS.

4. PRICE IS NOT A DETERMINING FACTOR IN CANADIAN PURCHASES OF U.S. SCRAP. CANADIAN SCRAP PRICES ARE, HOWEVER, IN-FLUENCED STRONGLY BY U.S. PRICES. THEY HAVE TRADITIONALLY REMAINED A FEW DOLLARS PER TON LESS THAN IN THE U.S. SCRAP
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MARKET. BECAUSE OF SLIGHT PRICE ADVANTAGE IN USING CANADIAN

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SCRAP, CANADIAN SCRAP CONSUMERS PURCHASE FROM THE U.S. ONLY THOSE TONNAGES FOR WHICH SUPPLY IS NOT AVAILABLE IN CANADA. STEEL MILLS IN CANADIAN PRAIRIES HAVE A PARTICULAR DEPENDENCY ON U.S. SCRAP, BECAUSE OF SCARCITY OF DOMESTIC SCRAP IN THAT REGION.

5. CANADIAN AND U.S. SCRAP MARKETS TEND TO COMPLEMENT EACH OTHER. THERE ARE TYPES OF SCRAP IN CANADA WHICH ARE AVAILABLE IN GREATER QUANTITIES THAN REQUIRED, AND THESE ARE OF A TYPE WHICH ARE HIGHLY DESIRABLE TO THE U.S. AND CURRENTLY BEING EXPORTED THERE. SCRAP EXCHANGES BETWEEN THE TWO COUNTRIES VARY ACCORDING TO THE DIFFERENT REGIONAL MARKETS IN BOTH COUNTRIES.

6. AVERAGE ESTIMATED SCRAP INVENTORIES IN CANADIAN MILLS AS OF MARCH 1973 WERE 40 TO 50 WORKING DAYS; AS OF MARCH 1974, 15 TO 25 WORKING DAYS. THERE HAS BEEN A MARKED DECLINE IN STEEL MILL INVENTORIES SINCE INSTITUTION OF SCRAP EXPORT CONTROLS BY U.S. MILLS HAVE SURVIVED ON REMOTE CANADIAN SCRAP WHICH HAS BEEN COLLECTED AS A RESULT OF HIGHER PRICES. THIS SCRAP IS EXTREMELY DIFFICULT TO COLLECT DURING WINTER, AND AS A RESULT, STEEL MILL INVENTORIES ARE AT AN UNDESIRABLY LOW LEVEL. THIS TYPE OF SCRAP HAS ACCUMULATED OVER MANY YEARS, AND ONCE DEPLETED, WILL TAKE MANY YEARS TO REGENERATE.

7. BLACK IS MOST KNOWLEDGEABLE SINGLE SOURCE IN GOC ON FERROUS SCRAP SITUATION. HE ASSERTED IT WOULD BE UNREALISTIC AND IMPOSSIBLE TO ESTIMATE FERROUS SCRAP IMPORT REAUIREMENTS ASSUMING THREE ALTERNATIVE PRICES OF $75, $100, AND $125 PER LONG TON. HE SAID PRICES IN CANADIAN MARKET FLOAT WITH THOSE IN U.S. MARKET. HE WISHED TO STRESS THAT ADDITIONAL SUPPLIES OF MORE REMOTE CANADIAN SCRAP WHICH HAVE BEEN FLUSHED OUT BY HIGHER PRICES ARE A ONE-TIME AFFAIR AND CANNOT BE REPEATED. HE SAID FINALLY THAT CANADIANS ARE VERY MUCH INTERESTED IN EXPLORING WITH US THE POSSIBILITY OF "AN OPEN BORDER" IN THE FERROUS SCRAP TRADE.
PORTER

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